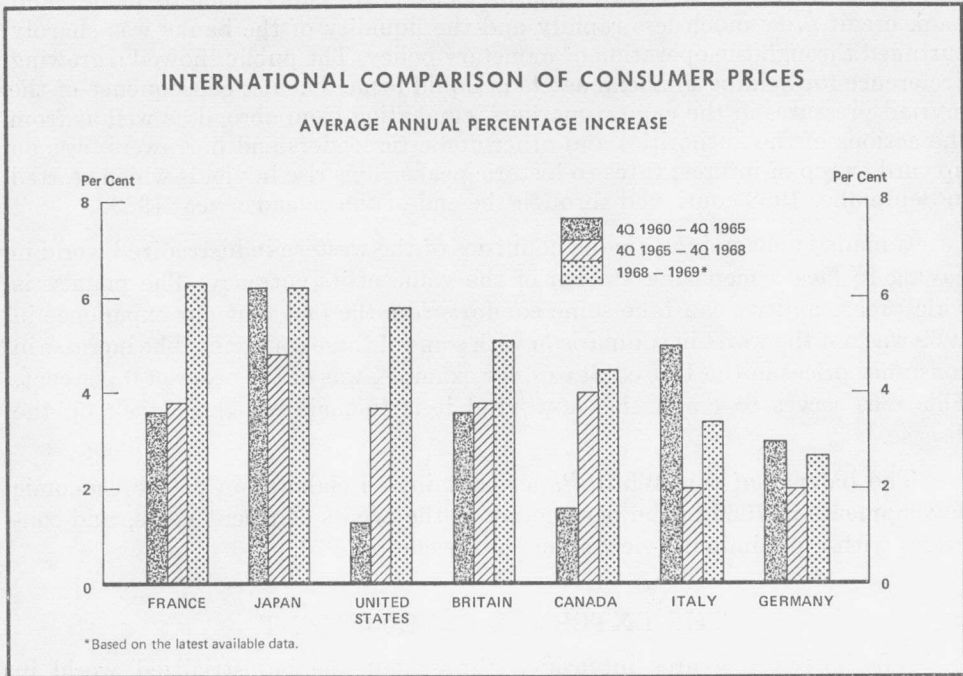


CHART 2



Despite uncertainties over exchange parities, which prevailed until late last year, world trade continued to grow at a greater pace than expected. Exports of OECD countries were about 16 per cent higher than in 1968, a rate of increase nearly double the average of the previous decade. The war in Vietnam and the U.S. investment boom continued to stimulate burgeoning world trade. However, the major stimulus last year was the economic expansion in Continental Europe and Japan.

Expansion in these areas, during a period of gradual slowing in the North American and British economies, was one major factor behind the better balance in the international structure of current payments which became increasingly evident in the latter part of the year. In Britain, too, the combination of the 1967 devaluation and the subsequent fiscal and monetary restraints brought about a marked improvement in the balance of payments. This appears to bring within reach the British target of a U.S. \$1.2 billion surplus on current and long-term capital account during the twelve months ending March 31, 1970, and has enabled a start to be made on the repayment of short-term debt. The United States' current balance showed definite signs of an upturn in the latter half of last year, though it still fell far short of a level comparable to its 1960-67 average of over U.S. \$3.2 billion. Japan's rapid economic growth has not yet strained its productive capacity, and indeed, has been accompanied by a relative decline in the Japanese propensity to import. The combination of the French and German parity changes has started to work towards a reduction in their payments